

## Message Text

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44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15

AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06

CIEP-02 LAB-04 SIL-01 OMB-01 /100 W

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R 291657Z APR 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1221

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

USMISSION OECD PARIS

USNMR SHAPE

AMCONSUL BELFAST

AMCONSUL EDINBURGH

UNCLAS LONDON 06587

DEPARTMENT PASS TO LABOR, TREASURY AND FRB

E.O. 11652: N/A

TAGS: ELAB, UK, PINT

SUBJECT: PAY DISCUSSIONS QUICKEN -- AND OPTIMISM ABOUT  
ACCORD GROWING

REF: LONDON 6353

1. BEGIN SUMMARY: THE PACE OF THE DISCUSSION BETWEEN

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UNION LEADERS AND THE GOVERNMENT WAS STEPPED UP SHARPLY

THIS WEEK. IT NOW APPEARS THAT A BROAD AGREEMENT FOR THE NEXT PAY ROUND, BEGINNING AUGUST 1, WILL BE HAMMERED OUT PERHAPS AS EARLY AS NEXT WEEK, ALTHOUGH IT WILL BE SUBJECT TO THE APPROVAL OF A SPECIAL TUC CONGRESS JUNE 16. THERE HAS BEEN NO PUBLIC REFERENCE BY EITHER TRADE UNION OR GOVERNMENT OFFICIALS TO SPECIFIC PAY FIGURES OR OTHER ELEMENTS OF THE PROBABLE PAY PACKAGE, BUT LEN MURRAY, TUC GENERAL SECRETARY, TOLD THE PRESS THAT HE EXPECTS A COMBINATION OF A FLAT RATE INCREASE AND A PERCENTAGE. END SUMMARY.

2. MURRAY AND OTHER TUC LEADERS MET WITH THE CHANCELLOR OF THE EXCHEQUER DENIS HEALEY LAST NIGHT (APRIL 8) AND THERE WILL BE FURTHER TALKS THIS WEEKEND OR EARLY NEXT WEEK IN ORDER TO HAMMER OUT A PROPOSAL WHICH THE TUC CAN PUT BEFORE A SPECIAL MEETING NEXT WEDNESDAY OF ITS GENERAL COUNCIL. MOST OBSERVERS ARE QUITE OPTIMISTIC THAT AN ACCORD WILL BE REACHED BETWEEN THE TUC AND THE GOVERNMENT VERY SHORTLY AND WHATEVER FORMULA OF MINIMA AND MAXIMA IS WORKED OUT ON THE PAY SIDE, THE OVERALL PERCENTAGE INCREASE THIS YEAR IS EXPECTED TO FALL BETWEEN HEALEY'S 3 PERCENT LIMIT AND THE UNIONS APPROXIMATE DEMAND FOR ABOUT 5 PERCENT.

3. THE TRADE UNION LEADERS HAVE BEEN ARGUING FOR AN ACCORD WHICH, AS THEY PUT IT, "WILL STICK." THE MOOD OF OPTIMISM CONVEYED BY MURRAY, PARTICULARLY AFTER LAST NIGHT'S TALKS, FORESHADOWS JUST SUCH A "WILL-STICK" FORMULA. (THE IMPROVEMENT OF THE POUND FROM LAST WEEK'S RECORD LOW OF \$1.8055 TO TODAY'S \$1.8395 IN EARLY DEALINGS SEEMS TO INDICATE THAT THE FINANCIAL MARKETS ARE BEGINNING TO LEND SOME CREDENCE TO THE POSSIBILITY OF AN ACCORD BETWEEN THE GOVERNMENT AND THE TUC.) WHAT THE TUC "ESTABLISHMENT" SEEKS, IN OTHER WORDS, IS AN ACCORD WHICH WILL BE ACCEPTED BY A LARGE MAJORITY OF THE TUC MEMBERSHIP AT CRITICAL CONFERENCE VOTES, PARTICULARLY THE SPECIAL TUC CONGRESS ON JUNE 18 WHICH WILL BE DECISIVE. THERE WILL, OF COURSE, BE THOSE UNIONS WHO ARE NOT HAPPY WITH THE ACCORD AND THERE WILL BE SOME WHO IN FACT WILL REGISTER A NEGATIVE VOTE -- BUT THE MAIN ISSUE IS COM-

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PLIANCE. LAST YEAR'S VOLUNTARY 6 POUND PAY LIMIT HELD EXTREMELY WELL DESPITE INITIAL OBJECTIONS BY SOME UNIONS. MURRAY, JONES, BASNETT AND OTHER LEADERS WANT A REPEAT OF THIS REMARKABLE PERFORMANCE.

ARMSTRONG

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## Message Attributes

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